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Proposed Attorneys for Debtor and Debtor in Possession

IN THE UNITED STATES BANKRUPTCY COURT
DISTRICT OF OREGON

In re) Case No. 23-32366-pcm11
Local 8, International Longshoremen's and) DEBTOR'S RESPONSE TO CASE
Warehousemen's Union,) MANAGEMENT ORDER
Debtor.)
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Pursuant to 11 USC § 1188 and the Court’s Order Setting Case Management Conference and Notice of Possible Dismissal [ECF 30] (the “Order”), the Debtor, Local 8, International Longshoremen’s and Warehousemen’s Union (“Debtor” or “Local 8”) hereby provides the Debtor’s financial reports and information as required by the Order, available as of November 2, 2023.

The Debtor, by separate Motion, is also requesting an extension of 45 days to provide supplemental information, and a further date for a continued case management conference, if necessary.

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Page 1 of 5 - DEBTOR'S RESPONSE TO CASE MANAGEMENT ORDER

1 A. Debtor's Case Management Report.

2 Local 8 filed this case on October 18, 2023 – less than two weeks ago.¹ During the first
3 two weeks of the case, Local 8 has attended to its “First Day Motions,” including confirming
4 requirements of cash management with the U.S. Trustee’s office and other matters. Local 8 intends
5 to reach out to creditors to discuss the proposed terms of a plan, and how to limit and discourage
6 wasteful and disproportionate litigation activities, but has not yet drafted a plan or initiated such
7 discussions.

8 As the Court is also aware, there is another bankruptcy case pending in the Northern
9 District of California filed by the International Longshore and Warehouse Union (“ILWU”), which
10 is a separate legal entity from the Debtor. Both debtors were named defendants in a lawsuit ICTSI
11 Oregon, Inc. (“ICTSI”) filed approximately ten years ago in the federal district court in Oregon.
12 Remaining at issue in that action is the amount of damages allegedly due to ICTSI, which seeks
13 millions of dollars for alleged unfair labor practices. ICTSI’s claim remains unliquidated in
14 amount, with only liability having been determined as of the petition dates. The ICTSI litigation
15 and its impact on Local 8’s membership, creditors, and prospects for Local 8’s survival in the
16 future were substantial factors contributing to Local 8’s decision to file for relief under Chapter 11
17 of the Bankruptcy Code.

18 Local 8 intends to reach out to ICTSI in an attempt to reach consensus on a plan, including
19 potential agreement on the allowed amount of ICTSI’s claim for purposes of voting and
20 distribution. Such compromise is critical to avoid costly and expensive litigation over the amount
21 of ICTSI’s claim. If ICTSI seeks to continue pursuit of litigation to determine the allowed amount
22 of its claim, Local 8 is concerned the administrative costs of such litigation could result in no
23 meaningful distributions to other creditors. As evidenced by Local 8’s reports filed to date, the
24 Debtor’s disposable income and the liquidation value of its assets are insubstantial in comparison

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26 ¹ 11 USC § 1188 provides for a status conference not later than 60 days after entry of the order for relief.

1 to any amount ICTSI will likely claim in damages.

2 Local 8 anticipates the same issues will arise or have already arisen in the ILWU
3 Chapter 11, in which ICTSI is a creditor. The bankruptcy court in the ILWU case in California
4 may be the first to confront issues regarding liquidation of ICTSI's claim, and the debtor in that
5 case may have greater assets to satisfy ICTSI's demands and pay litigation defense costs than
6 Local 8. Accordingly, the best course, consistent with the interests of Local 8's creditors, may be
7 to await, solely for the purpose of determining the claim amount, the outcome of claim liquidation
8 proceedings in California, rather than continue the same fight in this case with all the attendant
9 fees at this time. Local 8 expects to file an application in this case to employ its current litigation
10 counsel for the still-pending ICTSI litigation if ICTSI is allowed to move forward to liquidate
11 ICTSI's claim; however, Local 8 cannot afford to pay such counsel, experts, and related fees for
12 extensive additional litigation to liquidate ICTSI's claim in the district court. Local 8 believes
13 nothing positive can be achieved for its creditors through concurrent claims litigation in both
14 California and Oregon. Local 8 will be crippled by the defense costs alone. Accordingly, Local 8
15 believes it may be in the best interests of creditors, and most proportional to the relative sizes of
16 the cases, for this Court to wait and see the outcome of the ICTSI claims litigation in the California
17 bankruptcy, and allow Local 8, in the meantime, to continue its operations in the ordinary course
18 and negotiate towards filing a consensual plan, if possible.

19 In summary, from what is known to date, the cost of the ICTSI claims litigation – in or
20 outside of bankruptcy court – is likely to be very significant and unaffordable for this debtor.
21 However, the efforts to develop and confirm a plan are likely to be successful once Local 8
22 determines the liquidation value of its assets and amount of its disposable income. Local 8 intends
23 to proceed with those efforts at this time.

24 **B. Other Information to Meaningfully Address Case Management.**

25 To facilitate a productive initial case management conference on November 16, 2023, the
26 Debtor and its counsel submit the following documents, which may be supplemented in the event

1 further information is needed by the Court:

2 1. **Exhibit A: Weekly Cash Flow Analysis for upcoming 120-day period;**²

3 2. **Exhibit B: Financial Information -- Last 3 Years;**

4 3. **Exhibit C: Statement of Income and Expenses since the petition date and**

5 **indication as to amount of paid and unpaid expenses; and**

6 4. **Debtor's Anticipated Costs of Professional Services During Chapter 11:**

7 Local 8's counsel anticipates it will likely average \$25,000 per month in professional services for
8 bankruptcy counsel during the Chapter 11. This budget excludes any litigation fees to liquidate
9 ICTSI's claim through litigation in federal district court, or in protracted claims proceedings in the
10 bankruptcy court.

11 C. Matters for Discussion at Case Management Conference(s): In response to topics
12 listed for discussion on page 1 of the Order, sections 1-11:

13 1. The Debtor anticipates it will assume its building lease and all subleases;

14 2. The Debtor anticipates there may be contested stay relief litigation by ICTSI to
15 liquidate its claim in further proceedings in the U.S. District Court, District of Oregon;

16 3. The Debtor does not have any secured creditors and does not anticipate adequate
17 protection proceedings;

18 4. The Debtor intends to continue operating during the Chapter 11 and to propose and
19 confirm a plan under Subchapter V of Chapter 11;

20 5. Local 8 will file a proposed Plan of Reorganization no later than 90 days after the
21 petition date (and likely much sooner), and will also seek Court approval of (a) a date for hearing
22 on confirmation of the Plan, (b) a date by which a plan and notice to creditors must be transmitted,
23 and (c) fixing the date by which holders of claims and interests may vote to accept or reject the
24

25 _____
26 ² The Debtor has submitted documents covering six weeks only at this time due to the limits of
Debtor's Quickbooks program. Debtor will extend the projection for the 120 days requested as
soon as possible.

1 plan; and

2 6. The Debtor has filed all of its pre-petition tax returns.

3 Dated: November 2, 2023

4 SUSSMAN SHANK LLP

5 */s/ Susan S. Ford*

6 By _____
7 Susan S. Ford, OSB No. 842203
Proposed Attorneys for Debtor

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INTERNATIONAL LONGSHORE & WAREHOUSE

Weekly Cash Flow Projection

November 02 through December 16, 2023

| | Current Week | 11/5/23 | 11/12/23 | 11/19/23 | 11/26/23 | 12/3/23 | 12/10/23 |
|---------------------------------------|--------------|---------|----------|----------|----------|---------|----------|
| Cash: | | | | | | | |
| Beginning Cash | 281,869 | 345,409 | 295,328 | 221,028 | 215,128 | 191,728 | 238,868 |
| Cash Receipts | 0 | 11,252 | 11,252 | 11,252 | 11,252 | 11,252 | 11,252 |
| Adjustments | 98,000 | -1,252 | -1,252 | -6,252 | -5,252 | 86,748 | -1,252 |
| Total Cash | 379,869 | 355,409 | 305,328 | 226,028 | 221,128 | 289,728 | 248,868 |
| Business Expenses: | | | | | | | |
| PAYROLL | 13,300 | 0 | 0 | 0 | 0 | 0 | 0 |
| PAYROLL LIABILITIES | 5,800 | 0 | 0 | 0 | 0 | 0 | 0 |
| PAYROLL | 0 | 7,500 | 0 | 0 | 0 | 0 | 0 |
| PAYROLL LIABILITIES | 0 | 2,800 | 0 | 0 | 0 | 0 | 0 |
| PAYROLL | 0 | 0 | 7,500 | 0 | 0 | 0 | 0 |
| PAYROLL LIABILITIES | 0 | 0 | 2,800 | 0 | 0 | 0 | 0 |
| PAYROLL | 0 | 0 | 0 | 7,500 | 0 | 0 | 0 |
| PAYROLL LIABILITIES | 0 | 0 | 0 | 2,800 | 0 | 0 | 0 |
| PAYROLL | 0 | 0 | 0 | 0 | 0 | 0 | 5,800 |
| PAYROLL TAX EXPENSE | 0 | 0 | 0 | 0 | 0 | 0 | 2,800 |
| PAYROLL TAX EXPENSE | 0 | 0 | 0 | 0 | 2,500 | 0 | 0 |
| AFFILIATION FEES | 0 | 33,000 | 0 | 0 | 0 | 33,000 | 0 |
| OFFICE SUPPLIES | 800 | 0 | 0 | 0 | 800 | 0 | 0 |
| OFFICE SUPPLIES | 0 | 400 | 0 | 0 | 0 | 0 | 400 |
| OFFICE SUPPLIES | 0 | 0 | 100 | 0 | 0 | 0 | 0 |
| OFFICE SUPPLIES | 0 | 0 | 0 | 200 | 0 | 0 | 0 |
| UTILITIES & TELEPHONE | 0 | 6,000 | 0 | 0 | 0 | 0 | 6,000 |
| HALL EXPENSES | 0 | 5,000 | 0 | 0 | 0 | 0 | 0 |
| HALL EXPENSES | 0 | 0 | 0 | 0 | 0 | 0 | 5,500 |
| JOINT HALL EXPENSES | 0 | 0 | 16,000 | 0 | 0 | 0 | 0 |
| RENT EXPENSE | 7,560 | 0 | 0 | 0 | 0 | 7,560 | 0 |
| MEETING EXPENSE | 0 | 0 | 0 | 400 | 0 | 0 | 0 |
| PROPERTY TAXES | 0 | 0 | 46,000 | 0 | 0 | 0 | 0 |
| INSURANCE:BA PENSION CONTRIBUTION | 0 | 0 | 5,400 | 0 | 0 | 0 | 5,400 |
| INSURANCE:OFFICE PENSION CONTRIBUTION | 7,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| INSURANCE:GENERAL LIABILITY INS | 0 | 5,381 | 0 | 0 | 0 | 0 | 0 |
| PROFESSIONAL FEES:ACCOUNTING FEES | 0 | 0 | 6,500 | 0 | 0 | 0 | 0 |
| INSURANCE:OFFICE PENSION CONTRIBUTION | 0 | 0 | 0 | 0 | 7,000 | 0 | 0 |
| PAYROLL | 0 | 0 | 0 | 0 | 0 | 7,500 | 0 |
| PAYROLL LIABILITIES | 0 | 0 | 0 | 0 | 0 | 2,800 | 0 |
| PAYROLL | 0 | 0 | 0 | 0 | 13,300 | 0 | 0 |
| PAYROLL LIABILITIES | 0 | 0 | 0 | 0 | 5,800 | 0 | 0 |
| Adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Business Expenses | 34,460 | 60,081 | 84,300 | 10,900 | 29,400 | 50,860 | 25,900 |
| Cash Available for Disbursement | 345,409 | 295,328 | 221,028 | 215,128 | 191,728 | 238,868 | 222,968 |
| Accounts Payable: | | | | | | | |
| None | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Accounts Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Cash Balance | 345,409 | 295,328 | 221,028 | 215,128 | 191,728 | 238,868 | 222,968 |

**INTERNATIONAL LONGSHOREMEN'S AND
WAREHOUSEMEN'S UNION, LOCAL #8**
 Statement of Cash Receipts and Disbursements
 December 31, 2022
 (See Accompanying Notes and Accountant's Review Report)

Beginning balance summary:

| | |
|------------------------------------|-----------------------|
| Cash on hand | \$ 12,363 |
| General checking account | 18,690 |
| Checking account | 270 |
| Credit union account | 150,349 |
| Certificate of deposit | 301,740 |
| Picnic account | <u>629</u> |
| Total beginning balance | <u>484,041</u> |
| Receipts (note 14) | 1,978,961 |
| Disbursements (note 15) | <u>2,035,000</u> |
| Ending balance | <u>\$ 428,002</u> |

Ending balance summary:

| | |
|--------------------------|-----------------------|
| Cash on hand | \$ 13,857 |
| General checking account | 45,439 |
| Checking account | 270 |
| Credit union account | 64,759 |
| Certificates of deposit | 303,029 |
| Picnic account | <u>648</u> |
| Total ending balance | <u>\$ 428,002</u> |

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Local

International Longshoremen's and Warehousemen's Union, Local #8 (the Local) was formed as a non-profit organization in 1934. The Local was formed to unite all of the longshoremen and other members under the jurisdiction of the International Longshoremen's and Warehousemen's Union, Local #8 for the purpose of securing concert of action in whatever they may regard as beneficial to their mutual interests. The Local, in Portland, Oregon, is affiliated with the International Union in San Francisco.

Method of Accounting

International Longshoremen's and Warehousemen's Union, Local #8 presents its financial statements on the cash basis of accounting. Under this method, all receipts of funds are treated as income and all disbursements are treated as expenditures, regardless of the character of the receipt or disbursement. Thus, loans are treated as income and not as an increase in liabilities. Expenditures for long-lived assets are treated as disbursements rather than as assets. Therefore, the only assets of the Local are the cash on hand and in depository institutions. This amount is also considered the fund balance. No liabilities or other assets are reflected.

Federal Income Taxes

The Local is recognized as an exempt organization under Internal Revenue Code Section 501(c)(5). Therefore, it is not liable for federal income taxes on its exempt functions.

Description of the Bank Accounts

General checking account - This account is used for the primary day-to-day activities of the Local. Most of the operating income and expenses flow through this account.

Picnic account - This account is used for the annual picnic. Members make donations to cover the costs of the picnic. The picnic expenses are paid out of this account.

Savings accounts, certificates of deposit, and checking accounts - Excess funds not currently needed in operations are deposited in savings accounts and certificates of deposit to earn more interest on these funds.

Contributions

Contributions are recognized when received from donors. Contributions that are restricted by the donor are reported as increases in unrestricted cash accounts if the restrictions expire in the fiscal year in which the contributions are recognized. There is \$648 in contributions that are restricted for the next annual picnic. All donor restricted cash balances are temporarily restricted, there are no permanently restricted cash balances.

NOTE 2 - COMMITMENTS

The Local negotiated a lease agreement with the Columbia River Pensioners Association for the building it occupies. Based on the Consumer Price Index, the lease payments will be increased or decreased twelve months after the initial lease term and the beginning of every fifth year period of the lease. The Local paid \$90,720 in rents for 2022. The lease is set to expire May 31, 2027. At that time, the Local would have the option to either renew the lease for an additional ten successive terms of five years each or to purchase the building. The purchase price would be 50% of the real market value of the land and improvements as determined by the Multnomah County Tax Assessor. The Local is also leasing a copy machine from Pacific Office Automation. The total rent paid for the copier for 2022 was \$4,764, which included \$456 of additional fees for excess usage.

Future minimum rental payments for the succeeding five years are as follows:

| | <u>Building</u> | <u>Copier</u> |
|------|-----------------|---------------|
| 2023 | \$90,720 | \$4,308 |
| 2024 | \$90,720 | \$4,308 |
| 2025 | \$90,720 | - |
| 2026 | \$90,720 | - |
| 2027 | \$37,800 | - |

In 1995, the Local paid the Columbia River Pensioners \$240,000 in prepaid rent. In 2002, the Local paid two months' rent totaling \$13,340. The remaining ten months' rent was offset against the prepaid rent. The prepaid rent was reduced by \$66,700. In 2004, the Local paid \$51,000 in prepaid rents. In 2011, the Local paid an additional \$49,000 in prepaid rents. In 2012, the Local paid \$21,000 in prepaid rent. The Pensioners then refunded the Local \$58,000 of prepaid rents. In 2013 and 2014, the Local paid \$40,000 and \$32,722 in prepaid rent respectively. In 2015, \$50,120 in prepaid rent was paid and \$63,000 in prepaid rent was refunded. There was a net decrease of \$12,880 in prepaid rent. In 2016 and 2017, \$26,359 and \$46,000 respectively, in prepaid rent was refunded. During 2021, \$15,120 in prepaid rent was applied to the rent expense. The prepaid balance as of December 31, 2022 is \$208,663.

The Local is subleasing a portion of the building. See Note 11 – Sublease.

NOTE 3 - COAST LONGSHORE DIVISION RESERVE FUND

Coast Longshore Division is a division of the International Union in San Francisco. The Local has advanced \$12,088 to the reserve operating fund of this committee. This money is in the way of assessments or additions to regular billings. If the Coast Longshore Division discontinues operations, this money would be reimbursed to the Local.

NOTE 4 - RELATED-PARTY TRANSACTIONS

Members of the Local were on various regional and international committees. The Local incurred expenses and was reimbursed by the Pacific Maritime Association for the wages, per diem, and paymaster expenses. The 2022 reimbursements were \$92,298.

Note 15 on page 9 shows \$85,137 for mileage and per diem to officers. The Local provides its officers with a weekly expense allowance, as well as covering their expenses for meetings, mileage, etc. The following schedule shows how much was paid to each person for these purposes.

| | |
|-----------------|-----------------|
| Randy Booker | \$ 368 |
| Matthew Findley | 5,800 |
| Kyle Hanson | 3,260 |
| Bruce Holt | 5,654 |
| Kevin Knoth | 1,404 |
| Troy Mosteller | 1,538 |
| Brian Murrell | 1,035 |
| Shelby Palmer | 3,908 |
| Stuart Strader | 4,539 |
| Leal Sundet | 30,551 |
| Adam Wetzell | 27,080 |
| Total | <u>\$85,137</u> |

NOTE 5 - PENSION PLAN

Note 15 on page 9 includes \$81,786 for office employee pension contributions. The name of the plan is Office and Professional Employees International Union, Local #11. It is completely administered by Local #11. This plan covers the bookkeeper and office staff of the Local. It is a defined contribution plan. There are two separate funds within this plan. One is for \$3.93 per hour and is paid to Western States Office and Professional Employees Pension Fund. There was a \$3.1440 per hour assessment due to implementation of “Red Zone” status of the pension plan. The hourly assessment is negotiated by the employee. In lieu of medical coverage, the Local also paid an additional \$19,552 to the office manager’s 401(k) plan.

The Local also pays premiums to Pacific Maritime for the cost of the business agent’s pension and medical. The business agent is then covered by the ILWU-PMA Pension/Welfare Plan. The total amount reimbursed in 2022 was \$68,014 of which \$27,814 was for pension. The rate was \$15.47 for hours through June 30, 2022, and \$16.73 for hours through December 31, 2022.

NOTE 6 - JOINT EXPENSES

Note 15 on page 9 shows \$187,493 for joint hiring hall expenses. These expenses are paid monthly to the Portland Joint Labor Relations Committee for the Local's share of the joint expenses that the Portland Joint Labor Relations Committee has paid. The breakdown of these items follows:

| | |
|--------------------------------|------------------|
| Wages/dispatcher | \$120,250 |
| Payroll taxes | 71,427 |
| Benefit assessment | 11,724 |
| 401(k) | 1,671 |
| Rent | 4,536 |
| Repair & maintenance | 16 |
| Utilities | 2,318 |
| Protection | 228 |
| Telephone | 591 |
| Workers compensation insurance | 174 |
| Office expense | 1,247 |
| Cleaning supplies | 186 |
| Furniture and equipment | 227 |
| Janitorial | 2,514 |
| Audit & tax services | 950 |
| Property taxes | 1,979 |
| Deposit-casual collections | <u>(32,545)</u> |
| Total | <u>\$187,493</u> |

The Local also receives reimbursements from the Joint Labor Relations Committee for the committee's share of the joint expenses that the Local pays. Note 14 on page 9 shows \$92,298 for joint committee reimbursements. The breakdown of these items follows:

| | |
|-----------------------|------------------|
| Rent | \$ 30,240 |
| Utilities & telephone | 21,789 |
| Janitorial | 15,172 |
| Hall expenses | 1,319 |
| Property taxes | 13,192 |
| Copier | 2,453 |
| Fax machine | 1,511 |
| Dispatcher supplies | 983 |
| Miscellaneous | <u>5,639</u> |
| Total | <u>\$ 92,298</u> |

NOTE 7 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Local maintains cash balances at several financial institutions located in Oregon. Accounts at each institution are insured by the Federal Deposit Insurance Corporation or National Credit Union Association up to \$250,000. On December 31, 2022, the uninsured bank balance was \$118,707.

The primary source of revenue is union dues which are paid exclusively by union members and pro-rata payments paid by non-union limited registered and identified casual workers; and affiliated workers. All are represented by Local 8, and all are employed in a single related industry and are concentrated in the Portland metro area.

NOTE 8 – INCOME TAX POSITIONS

The Local has been granted tax-exempt status under I.R.C. 501(c)(5). Under the provisions of this section, the Local pays no income tax on any revenue related to its exempt purpose. The Local is required to file an annual informational return with the Internal Revenue Service. In the opinion of management, the Local did not enter into any transactions that may be subject to income tax on unrelated business income during the year ended December 31, 2022. Tax years that remain subject to examination are 2019, 2020, 2021 and 2022.

In accordance with the cash basis of accounting, the Local's policy is to record interest and penalties when they are paid.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 31, 2023 which represents the date the statement was available to be issued.

NOTE 10 - CONTINGENCIES

There is one matter where it is reasonably possible that the outcome may result in a liability to the Local. A major terminal operator, ICTSI Oregon, Inc., ceased operations at terminal 6 in March of 2015. The Local is a Co-Defendant along with its International ILWU. The Coast Longshore Division (CLD) has assumed responsibility for the litigation expenses related to this matter. On November 4, 2019, a jury returned a verdict in favor of ICTSI Oregon Inc. with damages of \$93,635,000 awarded. The jury concluded that \$51,493,750 (55%) of those damages were the sole responsibility of the ILWU and \$41,131,250 (45%) were the sole responsibility of the Local 8. The case is currently being appealed in the Ninth Circuit Court. A district judge has vacated the \$93,635,000 judgement and a new damages trial has been set for February 2024. Management and counsel intend to vigorously contest this matter and the liability, if any, resulting from this legal matter could be material in relation to the accompanying financial statement.

NOTE 11 - SUBLEASE

In 2004, the Columbia River Pensioners constructed facilities for the portion of the building the Local is subleasing to Portland Local 8 Federal Credit Union. The Local and Portland Local 8 Federal Credit Union have a 15-year lease that commenced when the construction was complete effective July 1, 2004. Under the terms of the lease, base rent is \$39,000 for the first 5 years, \$44,850 for the next 5 years, and \$51,578 for the final 5 years. There are two 5-year options to renew the lease, and in July of 2019 the lease was extended to include two additional 5-year options to renew. Rent received from the credit union in 2022 was \$54,690. Sublease base rent for the next five years is as follows:

| | |
|------|----------|
| 2023 | \$54,960 |
| 2024 | \$57,403 |
| 2025 | \$58,241 |
| 2026 | \$58,241 |
| 2027 | \$58,241 |

The Local is also subleasing office space to various other labor organizations. The leases are month-to-month. Total rent for the month-to-month subleases for 2022 was \$15,840.

NOTE 12 – CASH AVAILABLE FOR GENERAL EXPENDITURE

| | |
|--|------------------|
| Total cash balance as of December 31, 2022: | \$428,002 |
| Cash for picnic fund: | 648 |
| Donor imposed temporarily restricted cash balance: | 648 |
| Unrestricted cash balance as of December 31, 2022: | <u>\$427,354</u> |

NOTE 13 – GOING CONCERN

The Organization's financial statements are prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of obligations in the normal course of business. As explained in Note 10, there is a contingent liability related to a lawsuit. Although management has appealed the verdict, the Local has been ordered to pay \$41,131,250 in damages. If these damages are not reversed in appeal, the Local would be insolvent.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Organization, which in turn is dependent upon the Organization's ability to meet its financial requirements, raise additional cash, and the success of its future operations.

Management and counsel intend to vigorously contest this matter and the related liability. The Organization has continued to operate for more than three years after the damages were awarded. Management believes that the appeal provides an opportunity for the Organization to continue as a going concern.

**INTERNATIONAL LONGSHOREMEN'S AND
WAREHOUSEMEN'S UNION, LOCAL #8**
 Notes to Financial Statement (Concluded)
 December 31, 2022
 (See Accompanying Accountant's Review Report)

NOTE 14 - RECEIPTS

| | |
|----------------------------------|---------------------|
| Regular dues - Class A | \$ 1,219,676 |
| Permit fees - Class B | 299,041 |
| Other divisions | 6,300 |
| Meeting fines | 6,250 |
| Initiation fees | 6,800 |
| Active retired | 1,271 |
| Book charges | 100 |
| Rent | 70,530 |
| Donations | 1,430 |
| Joint committee reimbursements | 92,298 |
| Interest income | 1,365 |
| Ride and raffle proceeds | 3,334 |
| Affiliated entity reimbursements | 270,091 |
| Miscellaneous | 475 |
| Total receipts | <u>\$ 1,978,961</u> |

NOTE 15 - DISBURSEMENTS

| | |
|--|---------------------|
| Salaries and wages | \$ 703,344 |
| Mileage and per diem | 85,137 |
| Affiliation fees | 416,624 |
| Office supplies and expense | 38,126 |
| Utilities and telephone | 74,624 |
| Hall expense | 93,633 |
| Joint hiring hall expenses | 187,493 |
| Rent | 90,720 |
| Meeting expenses | 2,700 |
| Death benefits | 3,800 |
| Flowers | 752 |
| Donations | 500 |
| Donations from assessments | 9,096 |
| Payroll tax | 72,613 |
| Property tax | 44,937 |
| Officers' pension reimbursement | 68,014 |
| Office employee pension contributions and benefits | 81,786 |
| Insurance | 22,127 |
| Worker's compensation | 2,403 |
| Professional fees | 3,700 |
| Reimbursed expenses | 5,855 |
| Picnic expenses | 27,016 |
| Total disbursements | <u>\$ 2,035,000</u> |

**INTERNATIONAL LONGSHOREMEN'S AND
WAREHOUSEMEN'S UNION, LOCAL #8**
 Statement of Cash Receipts and Disbursements
 December 31, 2021
 (See Accompanying Notes and Accountant's Review Report)

Beginning balance summary:

| | |
|--------------------------------|-----------------------|
| Cash on hand | \$ 10,758 |
| General checking account | 13,487 |
| Checking account | 270 |
| Credit union account | 111,270 |
| Certificate of deposit | 150,378 |
| Picnic account | <u>1,670</u> |
| Total beginning balance | <u>287,833</u> |
| Receipts (note 14) | 1,758,031 |
| Disbursements (note 15) | <u>1,561,823</u> |
| Ending balance | <u>\$ 484,041</u> |

Ending balance summary:

| | |
|--------------------------|-----------------------|
| Cash on hand | \$ 12,363 |
| General checking account | 18,690 |
| Checking account | 270 |
| Credit union account | 150,349 |
| Certificates of deposit | 301,740 |
| Picnic account | <u>629</u> |
| Total ending balance | <u>\$ 484,041</u> |

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Local

International Longshoremen's and Warehousemen's Union, Local #8 (the Local) was formed as a non-profit organization in 1934. The Local was formed to unite all of the longshoremen and other members under the jurisdiction of the International Longshoremen's and Warehousemen's Union, Local #8 for the purpose of securing concert of action in whatever they may regard as beneficial to their mutual interests. The Local, in Portland, Oregon, is affiliated with the International Union in San Francisco.

Method of Accounting

International Longshoremen's and Warehousemen's Union, Local #8 presents its financial statements on the cash basis of accounting. Under this method, all receipts of funds are treated as income and all disbursements are treated as expenditures, regardless of the character of the receipt or disbursement. Thus, loans are treated as income and not as an increase in liabilities. Expenditures for long-lived assets are treated as disbursements rather than as assets. Therefore, the only assets of the Local are the cash on hand and in depository institutions. This amount is also considered the fund balance. No liabilities or other assets are reflected.

Federal Income Taxes

The Local is recognized as an exempt organization under Internal Revenue Code Section 501(c)(5). Therefore, it is not liable for federal income taxes on its exempt functions.

Description of the Bank Accounts

General checking account - This account is used for the primary day-to-day activities of the Local. Most of the operating income and expenses flow through this account.

Picnic account - This account is used for the annual picnic. Members make donations to cover the costs of the picnic. The picnic expenses are paid out of this account.

Savings accounts, certificates of deposit, and checking accounts - Excess funds not currently needed in operations are deposited in savings accounts and certificates of deposit to earn more interest on these funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Contributions

Contributions are recognized when received from donors. Contributions that are restricted by the donor are reported as increases in unrestricted cash accounts if the restrictions expire in the fiscal year in which the contributions are recognized. There is \$629 in contributions that are restricted for the next annual picnic. All donor restricted cash balances are temporarily restricted, there are no permanently restricted cash balances.

NOTE 2 - COMMITMENTS

The Local negotiated a lease agreement with the Columbia River Pensioners Association for the building it occupies. Based on the Consumer Price Index, the lease payments will be increased or decreased twelve months after the initial lease term and the beginning of every fifth year period of the lease. The Local paid \$90,20 in rents for 2021, \$75,600 was paid in cash and \$15,120 was credited to the rent expense from the prepaid rent balance. The lease is set to expire May 31, 2027. At that time, the Local would have the option to either renew the lease for an additional ten successive terms of five years each or to purchase the building. The purchase price would be 50% of the real market value of the land and improvements as determined by the Multnomah County Tax Assessor. The Local is also leasing a copy machine from Pacific Office Automation. The total rent paid for the copier for 2021 was \$4,676, which included \$368 of additional fees for excess usage.

Future minimum rental payments for the succeeding five years are as follows:

| | <u>Building</u> | <u>Copier</u> |
|------|-----------------|---------------|
| 2022 | \$90,720 | \$4,308 |
| 2023 | \$90,720 | \$4,308 |
| 2024 | \$90,720 | \$4,308 |
| 2025 | \$90,720 | - |
| 2026 | \$90,720 | - |

In 1995, the Local paid the Columbia River Pensioners \$240,000 in prepaid rent. In 2002, the Local paid two months' rent totaling \$13,340. The remaining ten months' rent was offset against the prepaid rent. The prepaid rent was reduced by \$66,700. In 2004, the Local paid \$51,000 in prepaid rents. In 2011, the Local paid an additional \$49,000 in prepaid rents. In 2012, the Local paid \$21,000 in prepaid rent. The Pensioners then refunded the Local \$58,000 of prepaid rents. In 2013 and 2014, the Local paid \$40,000 and \$32,722 in prepaid rent respectively. In 2015, \$50,120 in prepaid rent was paid and \$63,000 in prepaid rent was refunded. There was a net decrease of \$12,880 in prepaid rent. In 2016 and 2017, \$26,359 and \$46,000 respectively, in prepaid rent was refunded. During 2021, \$15,120 in prepaid rent was applied to the current year rent expense. The prepaid balance as of December 31, 2021 is \$208,663.

The Local is subleasing a portion of the building. See Note 11 – Sublease.

Exhibit B

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NOTE 3 - RELATED-PARTY TRANSACTIONS

Members of the Local were on various regional and international committees. The Local incurred expenses and was reimbursed by the Pacific Maritime Association for the wages, per diem, and paymaster expenses. The 2021 reimbursements were \$46,122.

Note 15 on page 9 shows \$15,394 for mileage and per diem to officers. The Local provides its officers with a weekly expense allowance, as well as covering their expenses for meetings, mileage, etc. The following schedule shows how much was paid to each person for these purposes.

| | |
|-----------------|-----------------|
| Della Cruz | \$ 10 |
| Matthew Findley | 2,222 |
| Kyle Hanson | 149 |
| Ashley Hill | 505 |
| Bruce Holt | 1,692 |
| Troy Mosteller | 470 |
| Colin Nelson | 10 |
| Shelby Palmer | 1,329 |
| Stuart Strader | 3,109 |
| Leal Sundet | 3,859 |
| Adam Wetzell | 1,839 |
| Total | <u>\$15,394</u> |

NOTE 4 - COAST LONGSHORE DIVISION RESERVE FUND

Coast Longshore Division is a division of the International Union in San Francisco. The Local has advanced \$12,088 to the reserve operating fund of this committee. This money is in the way of assessments or additions to regular billings. If the Coast Longshore Division discontinues operations, this money would be reimbursed to the Local.

NOTE 5 - PENSION PLAN

Note 15 on page 9 includes \$80,052 for office employee pension contributions. The name of the plan is Office and Professional Employees International Union, Local #11. It is completely administered by Local #11. This plan covers the bookkeeper and office staff of the Local. It is a defined contribution plan. There are two separate funds within this plan. One is for \$3.93 per hour and is paid to Western States Office and Professional Employees Pension Fund. There was a \$1.9257 assessment starting with April 2012 hours due to implementation of "Red Zone" status of the pension plan, which increased to \$2.5152 in April 2013. Starting April 2014, the "Red Zone" assessment increased to \$3.1047, and starting in April 2015 it increased to \$3.1440. The hourly assessment is negotiated by the employee. In lieu of medical coverage, the Local also pays an additional \$19,381 to the office manager's 401(k) plan.

NOTE 5 - PENSION PLAN (CONCLUDED)

The Local also pays premiums to Pacific Maritime for the cost of the business agent's pension and medical. The business agent is then covered by the ILWU-PMA Pension/Welfare Plan. The total amount reimbursed in 2021 was \$65,169 of which \$22,242 was for pension. The rate was \$10.69 for hours through June 30, 2021 and \$15.47 for hours through December 31, 2021.

NOTE 6 - JOINT EXPENSES

Note 15 on page 9 shows \$201,869 for joint hiring hall expenses. These expenses are paid monthly to the Portland Joint Labor Relations Committee for the Local's share of the joint expenses that the Portland Joint Labor Relations Committee has paid. The breakdown of these items follows:

| | |
|--------------------------------|------------------|
| Wages/dispatcher | \$117,848 |
| Payroll taxes | 71,445 |
| Benefit assessment | 11,270 |
| 401(k) | 1,920 |
| Rent | 4,914 |
| Repair & maintenance | 7 |
| Utilities | 2,306 |
| Protection | 212 |
| Telephone | 640 |
| Workers compensation insurance | (7) |
| Office expense | 800 |
| Cleaning supplies | 154 |
| Janitorial | 2,491 |
| Audit & tax services | 942 |
| Property taxes | 3,730 |
| Deposit-casual collections | <u>(16,804)</u> |
| Total | <u>\$201,869</u> |

The Local also receives reimbursements from the Joint Labor Relations Committee for the committee's share of the joint expenses that the Local pays. Note 14 on page 9 shows \$86,960 for joint committee reimbursements. The breakdown of these items follows:

| | |
|-----------------------|-----------------|
| Rent | \$32,760 |
| Utilities & telephone | 20,138 |
| Janitorial | 16,934 |
| Hall expenses | 910 |
| Property taxes | 12,970 |
| Copier | 1,833 |
| Miscellaneous | <u>1,415</u> |
| Total | <u>\$86,960</u> |

NOTE 7 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Local maintains cash balances at several financial institutions located in Oregon. Accounts at each institution are insured by the Federal Deposit Insurance Corporation or National Credit Union Association up to \$250,000. On December 31, 2021, the uninsured bank balance was \$202,988.

The primary source of revenue is union dues which are paid exclusively by union members and pro-rata payments paid by non-union limited registered and identified casual workers; and affiliated workers. All are represented by Local 8, and all are employed in a single related industry and are concentrated in the Portland metro area.

NOTE 8 – INCOME TAX POSITIONS

The Local has been granted tax-exempt status under I.R.C. 501(c)(5). Under the provisions of this section, the Local pays no income tax on any revenue related to its exempt purpose. The Local is required to file an annual informational return with the Internal Revenue Service. In the opinion of management, the Local did not enter into any transactions that may be subject to income tax on unrelated business income during the year ended December 31, 2021. Tax years that remain subject to examination are 2019, 2020, 2021 and 2022.

In accordance with the cash basis of accounting, the Local's policy is to record interest and penalties when they are paid.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 11, 2023 which represents the date the statement was available to be issued.

NOTE 10 - CONTINGENCIES

There is one matter where it is reasonably possible that the outcome may result in a liability to the Local. A major terminal operator, ICTSI Oregon, Inc., ceased operations at terminal 6 in March of 2015. The Local is a Co-Defendant along with it's International ILWU. The Coast Longshore Division (CLD) has assumed responsibility for the litigation expenses related to this matter. On November 4, 2019, a jury returned a verdict in favor of ICTSI Oregon Inc. with damages of \$93,635,000 awarded. The jury concluded that \$51,493,750 (55%) of those damages were the sole responsibility of the ILWU and \$41,131,250 (45%) were the sole responsibility the Local 8. The case is currently being appealed in the Ninth Circuit Court. A district judge has vacated the \$93,635,000 judgement and a new damages trial has been set for February, 2024. Management and counsel intend to vigorously contest this matter and the liability, if any, resulting from this legal matter could be material in relation to the accompanying financial statement.

NOTE 11 - SUBLEASE

In 2004, the Columbia River Pensioners constructed facilities for the portion of the building the Local is subleasing to Portland Local 8 Federal Credit Union. The Local and Portland Local 8 Federal Credit Union have a 15-year lease that commenced when the construction was complete effective July 1, 2004. Under the terms of the lease, base rent is \$39,000 for the first 5 years, \$44,850 for the next 5 years, and \$51,578 for the final 5 years. There are two 5-year options to renew the lease, and in July of 2019 the lease was extended to include two additional 5-year options to renew. Rent received from the credit union in 2021 was \$52,815. Sublease base rent for the next five years is as follows:

| | |
|------|----------|
| 2022 | \$52,815 |
| 2023 | \$54,960 |
| 2024 | \$57,403 |
| 2025 | \$58,241 |
| 2026 | \$58,241 |

The Local is also subleasing office space to various other labor organizations. The leases are month-to-month. Total rent for the month-to-month subleases for 2021 was \$22,260.

NOTE 12 – CASH AVAILABLE FOR GENERAL EXPENDITURE

Total cash balance as of December 31, 2021: \$484,041

Cash for picnic fund: 629
Donor imposed temporarily restricted cash balance: 629

Unrestricted cash balance as of December 31, 2021: \$483,412

NOTE 13 – GOING CONCERN

The Organization's financial statements are prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of obligations in the normal course of business. As explained in Note 10, there is a contingent liability related to a lawsuit. Although management has appealed the verdict, the Local has been ordered to pay \$41,131,250 in damages. If these damages are not reversed in appeal, the Local would be insolvent.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Organization, which in turn is dependent upon the Organization's ability to meet its financial requirements, raise additional cash, and the success of its future operations.

Management and counsel intend to vigorously contest this matter and the related liability. The Organization has continued to operate for more than three years after the damages were awarded. Management believes that the appeal provides an opportunity for the Organization to continue as a going concern.

Exhibit B

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**INTERNATIONAL LONGSHOREMEN'S AND
WAREHOUSEMEN'S UNION, LOCAL #8**
 Notes to Financial Statement (Concluded)
 December 31, 2021
 (See Accompanying Accountant's Review Report)

NOTE 14 - RECEIPTS

| | |
|----------------------------------|---------------------|
| Regular dues - Class A | \$ 1,314,186 |
| Permit fees - Class B | 158,712 |
| Other divisions | 5,190 |
| Meeting fines | 2,435 |
| Initiation fees | 11,900 |
| Active retired | 972 |
| Rent | 75,075 |
| Joint committee reimbursements | 86,960 |
| Interest income | 1,492 |
| Affiliated entity reimbursements | 46,122 |
| Miscellaneous | 54,987 |
| Total receipts | <u>\$ 1,758,031</u> |

NOTE 15 - DISBURSEMENTS

| | |
|--|---------------------|
| Salaries and wages | \$ 411,424 |
| Mileage and per diem | 15,394 |
| Affiliation fees | 398,633 |
| Office supplies and expense | 41,820 |
| Utilities and telephone | 68,228 |
| Hall expense | 80,210 |
| Joint hiring hall expenses | 201,869 |
| Rent | 75,600 |
| Meeting expenses | 1,600 |
| Death benefits | 2,500 |
| Flowers | 1,286 |
| Donations from assessments | 9,594 |
| Payroll tax | 41,917 |
| Property tax | 44,177 |
| Officers' pension reimbursement | 65,169 |
| Office employee pension contributions and benefits | 80,052 |
| Insurance | 13,680 |
| Worker's compensation | 848 |
| Professional fees | 4,548 |
| Reimbursed expenses | 2,232 |
| Picnic expenses | 1,042 |
| Total disbursements | <u>\$ 1,561,823</u> |

**INTERNATIONAL LONGSHOREMEN'S AND
WAREHOUSEMEN'S UNION, LOCAL #8**
 Statement of Cash Receipts and Disbursements
 For the year ended December 31, 2020
 (See Accompanying Notes and Accountant's Review Report)

Beginning balance summary:

| | |
|--------------------------------|-----------------------|
| Cash on hand | \$ 8,907 |
| General checking account | 23,776 |
| Checking account | 270 |
| Credit union account | 95,453 |
| Certificate of deposit | 96,360 |
| Picnic account | <u>1,670</u> |
| Total beginning balance | <u>226,436</u> |
| Receipts (note 14) | 1,588,001 |
| Disbursements (note 15) | <u>1,526,604</u> |
| Ending balance | <u>\$ 287,833</u> |

Ending balance summary:

| | |
|--------------------------|-----------------------|
| Cash on hand | \$ 10,758 |
| General checking account | 13,487 |
| Checking account | 270 |
| Credit union account | 111,270 |
| Certificate of deposit | 150,378 |
| Picnic account | <u>1,670</u> |
| Total ending balance | <u>\$ 287,833</u> |

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Local

International Longshoremen's and Warehousemen's Union, Local #8 (the Local) was formed as a non-profit organization in 1934. The Local was formed to unite all of the longshoremen and other members under the jurisdiction of the International Longshoremen's and Warehousemen's Union, Local #8 for the purpose of securing concert of action in whatever they may regard as beneficial to their mutual interests. The Local, in Portland, Oregon, is affiliated with the International Union in San Francisco.

Method of Accounting

International Longshoremen's and Warehousemen's Union, Local #8 presents its financial statements on the cash basis of accounting. Under this method, all receipts of funds are treated as income and all disbursements are treated as expenditures, regardless of the character of the receipt or disbursement. Thus, loans are treated as income and not as an increase in liabilities. Expenditures for long-lived assets are treated as disbursements rather than as assets. Therefore, the only assets of the Local are the cash on hand and in depository institutions. This amount is also considered the fund balance. No liabilities or other assets are reflected.

Federal Income Taxes

The Local is recognized as an exempt organization under Internal Revenue Code Section 501(c)(5). Therefore, it is not liable for federal income taxes on its exempt functions.

Description of the Bank Accounts

General checking account - This account is used for the primary day-to-day activities of the Local. Most of the operating income and expenses flow through this account.

Picnic account - This account is used for the annual picnic. Members make donations to cover the costs of the picnic. The picnic expenses are paid out of this account.

Savings accounts, certificates of deposit, and checking accounts - Excess funds not currently needed in operations are deposited in savings accounts and certificates of deposit to earn more interest on these funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Contributions

Contributions are recognized when received from donors. Contributions that are restricted by the donor are reported as increases in unrestricted cash accounts if the restrictions expire in the fiscal year in which the contributions are recognized. There is \$1,670 in contributions that are restricted for the next annual picnic. All donor restricted cash balances are temporarily restricted, there are no permanently restricted cash balances.

NOTE 2 - COMMITMENTS

The Local negotiated a lease agreement with the Columbia River Pensioners Association for the building it occupies. Based on the Consumer Price Index, the lease payments will be increased or decreased twelve months after the initial lease term and the beginning of every fifth year period of the lease. The Local paid \$90,720 in rents for 2020. The lease is set to expire May 31, 2027. At that time, the Local would have the option to either renew the lease for an additional ten successive terms of five years each or to purchase the building. The purchase price would be 50% of the real market value of the land and improvements as determined by the Multnomah County Tax Assessor. Future minimum rental payments for the succeeding five years are as follows:

| | |
|------|----------|
| 2021 | \$90,720 |
| 2022 | \$90,720 |
| 2023 | \$90,720 |
| 2024 | \$90,720 |
| 2025 | \$90,720 |

In 1995, the Local paid the Columbia River Pensioners \$240,000 in prepaid rent. In 2002, the Local paid two months' rent totaling \$13,340. The remaining ten months' rent was offset against the prepaid rent. The prepaid rent was reduced by \$66,700. In 2004, the Local paid \$51,000 in prepaid rents. In 2011, the Local paid an additional \$49,000 in prepaid rents. In 2012, the Local paid \$21,000 in prepaid rent. The Pensioners then refunded the Local \$58,000 of prepaid rents. In 2013 and 2014, the Local paid \$40,000 and \$32,722 in prepaid rent respectively. In 2015, \$50,120 in prepaid rent was paid and \$63,000 in prepaid rent was refunded. There was a net decrease of \$12,880 in prepaid rent. In 2016 and 2017, \$26,359 and \$46,000 respectively, in prepaid rent was refunded. There were no changes in prepaid rent during 2020. The prepaid balance as of December 31, 2020 is \$223,783.

The Local is subleasing a portion of the building. See Note 11 – Sublease.

NOTE 3 - RELATED-PARTY TRANSACTIONS

Members of the Local were on various regional and international committees. The Local incurred expenses and was reimbursed by the Pacific Maritime Association for the wages, per diem, and paymaster expenses. The 2020 reimbursements were \$32,404.

Note 15 on page 9 shows \$9,899 for mileage and per diem to officers. The Local provides its officers with a weekly expense allowance, as well as covering their expenses for meetings, mileage, etc. The following schedule shows how much was paid to each person for these purposes.

| | |
|-----------------|----------------|
| Della Cruz | \$3,030 |
| Ashley Hill | 461 |
| Bruce Holt | 2,213 |
| Troy Mosteller | 2,099 |
| Michael Stanton | 120 |
| Stuart Strader | 190 |
| Leal Sundet | 740 |
| Adam Wetzell | <u>1,046</u> |
| Total | <u>\$9,899</u> |

NOTE 4 - COAST LONGSHORE DIVISION RESERVE FUND

Coast Longshore Division is a division of the International Union in San Francisco. The Local has advanced \$12,088 to the reserve operating fund of this committee. This money is in the way of assessments or additions to regular billings. If the Coast Longshore Division discontinues operations, this money would be reimbursed to the Local.

NOTE 5 - PENSION PLAN

Note 15 on page 9 includes \$80,921 for office employee pension contributions. The name of the plan is Office and Professional Employees International Union, Local #11. It is completely administered by Local #11. This plan covers the bookkeeper and office staff of the Local. It is a defined contribution plan. There are two separate funds within this plan. One is for \$3.93 per hour and is paid to Western States Office and Professional Employees Pension Fund. There was a \$1.9257 assessment starting with April 2012 hours due to implementation of “Red Zone” status of the pension plan, which increased to \$2.5152 in April 2013. Starting April 2014, the “Red Zone” assessment increased to \$3.1047, and starting in April 2015 it increased to \$3.1440. The hourly assessment is negotiated by the employee. In lieu of medical coverage, the Local also pays an additional \$19,552 to the office manager’s 401(k) plan.

The Local also pays premiums to Pacific Maritime for the cost of the business agent’s pension and medical. The business agent is then covered by the ILWU-PMA Pension/Welfare Plan. The total amount reimbursed in 2020 was \$66,341 of which \$23,817 was for pension. The rate was \$14.68 for hours through June 30, 2020 and \$10.69 for hours through December 31, 2020.

NOTE 6 - JOINT EXPENSES

Note 15 on page 9 shows \$198,940 for joint hiring hall expenses. These expenses are paid monthly to the Portland Joint Labor Relations Committee for the Local's share of the joint expenses that the Portland Joint Labor Relations Committee has paid. The breakdown of these items follows:

| | |
|--------------------------------|------------------|
| Wages/dispatcher | \$114,498 |
| Payroll taxes | 10,621 |
| Benefit assessment | 69,023 |
| 401(k) | 1,988 |
| Rent | 4,536 |
| Repair & maintenance | 10 |
| Utilities | 2,036 |
| Protection | 1,710 |
| Telephone | 591 |
| Workers compensation insurance | 341 |
| Office expense | 617 |
| Cleaning supplies | 125 |
| Janitorial | 2,205 |
| Audit & tax services | 934 |
| Property taxes | 1,718 |
| Deposit-casual collections | <u>(12,013)</u> |
| Total | <u>\$198,940</u> |

The Local also receives reimbursements from the Joint Labor Relations Committee for the committee's share of the joint expenses that the Local pays. Note 14 on page 9 shows \$77,146 for joint committee reimbursements. The breakdown of these items follows:

| | |
|-----------------------|-----------------|
| Rent | \$30,240 |
| Utilities & telephone | 17,435 |
| Janitorial | 14,774 |
| Hall expenses | 2,181 |
| Property taxes | 11,897 |
| COVID sanitizing | <u>619</u> |
| Total | <u>\$77,146</u> |

NOTE 7 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Local maintains cash balances at several financial institutions located in Oregon. Accounts at each institution are insured by the Federal Deposit Insurance Corporation or National Credit Union Association up to \$250,000. On December 31, 2020, the uninsured bank balance was \$13,589.

The primary source of revenue is union dues which are paid exclusively by union members and pro-rata payments paid by non-union limited registered and identified casual workers; and affiliated workers. All are represented by Local 8, and all are employed in a single related industry and are concentrated in the Portland metro area.

NOTE 8 – INCOME TAX POSITIONS

The Local has been granted tax-exempt status under I.R.C. 501(c)(5). Under the provisions of this section, the Local pays no income tax on any revenue related to its exempt purpose. The Local is required to file an annual informational return with the Internal Revenue Service. In the opinion of management, the Local did not enter into any transactions that may be subject to income tax on unrelated business income during the year ended December 31, 2020. Tax years that remain subject to examination are 2019, 2020, 2021 and 2022.

In accordance with the cash basis of accounting, the Local's policy is to record interest and penalties when they are paid.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 29, 2023 which represents the date the statement was available to be issued.

NOTE 10 - CONTINGENCIES

There is one matter where it is reasonably possible that the outcome may result in a liability to the Local. A major terminal operator, ICTSI Oregon, Inc., ceased operations at terminal 6 in March of 2015. The Local is a Co-Defendant along with it's International ILWU. The Coast Longshore Division (CLD) has assumed responsibility for the litigation expenses related to this matter. On November 4, 2019, a jury returned a verdict in favor of ICTSI Oregon Inc. with damages of \$93,635,000 awarded. The jury concluded that \$51,493,750 (55%) of those damages were the sole responsibility of the ILWU and \$41,131,250 (45%) were the sole responsibility the Local 8. The case is currently being appealed in the Ninth Circuit Court. A district judge has vacated the \$93,635,000 judgement and a new damages trial has been set for February, 2024. Management and counsel intend to vigorously contest this matter and the liability, if any, resulting from this legal matter could be material in relation to the accompanying financial statement.

NOTE 11 - SUBLEASE

In 2004, the Columbia River Pensioners constructed facilities for the portion of the building the Local is subleasing to Portland Local 8 Federal Credit Union. The Local and Portland Local 8 Federal Credit Union have a 15-year lease that commenced when the construction was complete effective July 1, 2004. Under the terms of the lease, base rent is \$39,000 for the first 5 years, \$44,850 for the next 5 years, and \$51,578 for the final 5 years. There are two 5-year options to renew the lease, and in July of 2019 the lease was extended to include two additional 5-year options to renew. Rent received from the credit union in 2020 was \$52,815. Sublease base rent for the next five years is as follows:

| | |
|------|----------|
| 2021 | \$52,815 |
| 2022 | \$54,960 |
| 2023 | \$57,403 |
| 2024 | \$58,241 |
| 2025 | \$58,241 |

The Local is also subleasing office space to various other labor organizations. The leases are month-to-month. Total rent for the month-to-month subleases for 2020 was \$18,731.

NOTE 12 – CASH AVAILABLE FOR GENERAL EXPENDITURE

| | |
|--|------------------|
| Total cash balance as of December 31, 2020: | \$287,832 |
| Cash for picnic fund: | 1,670 |
| Donor imposed temporarily restricted cash balance: | 1,670 |
| Unrestricted cash balance as of December 31, 2020: | <u>\$286,162</u> |

NOTE 13 – GOING CONCERN

The Organization's financial statements are prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of obligations in the normal course of business. As explained in Note 10, there is a contingent liability related to a lawsuit. Although management has appealed the verdict, the Local has been ordered to pay \$41,131,250 in damages. If these damages are not reversed in appeal, the Local would be insolvent.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Organization, which in turn is dependent upon the Organization's ability to meet its financial requirements, raise additional cash, and the success of its future operations.

Management and counsel intend to vigorously contest this matter and the related liability. The Organization has continued to operate for more than three years after the damages were awarded. Management believes that the appeal provides an opportunity for the Organization to continue as a going concern.

Exhibit B

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Case 23-32366-pcm11 Doc 41 Filed 11/02/23

**INTERNATIONAL LONGSHOREMEN'S AND
WAREHOUSEMEN'S UNION, LOCAL #8**
 Notes to Financial Statement (Concluded)
 For the year ended December 31, 2020
 (See Accompanying Accountant's Review Report)

NOTE 14 - RECEIPTS

| | |
|----------------------------------|---------------------|
| Regular dues - Class A | \$ 1,329,177 |
| Permit fees - Class B | 59,333 |
| Other divisions | 7,365 |
| Meeting fines | 1,564 |
| Initiation fees | 4,600 |
| Active retired | 1,013 |
| Rent | 71,546 |
| Joint committee reimbursements | 77,146 |
| Interest income | 1,170 |
| Coffee and supplies donations | 619 |
| Affiliated entity reimbursements | 32,404 |
| Miscellaneous | 2,064 |
| Total receipts | <u>\$ 1,588,001</u> |

NOTE 15 - DISBURSEMENTS

| | |
|--|---------------------|
| Salaries and wages | \$ 389,975 |
| Mileage and per diem | 9,899 |
| Affiliation fees | 393,871 |
| Office supplies and expense | 26,774 |
| Utilities and telephone | 62,195 |
| Hall expense | 82,748 |
| Joint hiring hall expenses | 198,940 |
| Rent | 90,720 |
| Meeting expenses | 900 |
| Death benefits | 2,500 |
| Flowers | 702 |
| Donations from assessments | 10,686 |
| Payroll tax | 39,956 |
| Property tax | 40,524 |
| Officers' pension reimbursement | 66,341 |
| Office employee pension contributions and benefits | 80,921 |
| Insurance | 16,034 |
| Worker's compensation | 1,393 |
| Professional fees | 6,215 |
| Reimbursed expenses | 2,212 |
| Picnic expenses | 200 |
| Miscellaneous | 2,898 |
| Total disbursements | <u>\$ 1,526,604</u> |

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11/01/23

Cash Basis

INTERNATIONAL LONGSHORE & WAREHOUSE
Balance Sheet
As of October 31, 2023

Oct 31, 23

ASSETS

| | |
|--|--------------------------|
| Current Assets | |
| Checking/Savings | |
| 101 · GENERAL BANK ACCOUNT | 43,643.89 |
| 103 · PICNIC ACCOUNT | 4,720.33 |
| 105 · CERTIFICATE OF DEPOSIT | 123,471.48 |
| 106 · CREDIT UNION CHECKING | 106,142.93 |
| 107 · CREDIT UNION ACCOUNT | 270.46 |
| 108 · CASH ON HAND | 15,392.57 |
| Total Checking/Savings | <u>293,641.66</u> |
| Total Current Assets | <u>293,641.66</u> |
| TOTAL ASSETS | <u>293,641.66</u> |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Other Current Liabilities | |
| 201 · PAYROLL LIABILITIES | 1,156.14 |
| Total Other Current Liabilities | <u>1,156.14</u> |
| Total Current Liabilities | <u>1,156.14</u> |
| Total Liabilities | <u>1,156.14</u> |
| Equity | |
| 301 · FUND BALANCE | 389,762.05 |
| 302 · Opening Bal Equity | -157,590.20 |
| 3900 · Retained Earnings | 199,456.69 |
| Net Income | -139,143.02 |
| Total Equity | <u>292,485.52</u> |
| TOTAL LIABILITIES & EQUITY | <u>293,641.66</u> |

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11/01/23

Cash Basis

INTERNATIONAL LONGSHORE & WAREHOUSE
Balance Sheet
As of October 18, 2023

Oct 18, 23

ASSETS

Current Assets

Checking/Savings

| | |
|------------------------------|------------|
| 101 · GENERAL BANK ACCOUNT | 40,677.56 |
| 103 · PICNIC ACCOUNT | 4,720.33 |
| 105 · CERTIFICATE OF DEPOSIT | 123,435.63 |
| 106 · CREDIT UNION CHECKING | 100,939.19 |
| 107 · CREDIT UNION ACCOUNT | 270.46 |
| 108 · CASH ON HAND | 5,454.53 |

Total Checking/Savings

275,497.70

Total Current Assets

275,497.70

TOTAL ASSETS

275,497.70

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

| | |
|---------------------------|----------|
| 201 · PAYROLL LIABILITIES | 1,156.14 |
|---------------------------|----------|

Total Other Current Liabilities

1,156.14

Total Current Liabilities

1,156.14

Total Liabilities

1,156.14

Equity

301 · FUND BALANCE

389,762.05

302 · Opening Bal Equity

-157,590.20

3900 · Retained Earnings

199,456.69

Net Income

-157,286.98

Total Equity

274,341.56

TOTAL LIABILITIES & EQUITY

275,497.70

INTERNATIONAL LONGSHORE & WAREHOUSE
Sales by Item Summary
 October 18 - 31, 2023

11/01/23

| | Oct 18 - 31, 23 | | | |
|---------------------------------------|------------------|-------------------------|----------------------|----------------------|
| | Qty | Amount | % of Sales | Avg Pri... |
| Service | | | | |
| 401-REG DUES (REGULAR DUES - CLASS A) | 15 | 10,157.09 | 56.1% | 677.14 |
| 402-PERMIT (PERMIT FEES) | 10 | 2,215.30 | 12.2% | 221.53 |
| 403-OTHER DIV (OTHER DIVISIONS) | 17.00 | 330.00 | 1.8% | 19.41 |
| 409-RETired (ACTIVE RETIRED DUES) | 13 | 156.00 | 0.9% | 12.00 |
| 413-RENTAL IN (RENTAL INCOME) | 3.00 | 5,263.74 | 29.1% | 1,754.58 |
| 509-OFFICE (OFFICE SUPPLIES) | 1 | -14.60 | -0.1% | -14.60 |
| Total Service | <u>59.00</u> | <u>18,107.53</u> | <u>100.0%</u> | <u>306.91</u> |
| TOTAL | <u>59</u> | <u>18,107.53</u> | <u>100.0%</u> | <u>306.91</u> |

G/J entry
23.10.09

+ 81.54
- 45.11

36.43

interest earned
C/D surrender fee

18,143.96

CERTIFICATE OF SERVICE

I, Janine E. Hume declare as follows:

I am employed in the County of Multnomah, state of Oregon; I am over the age of eighteen years and am not a party to this action; my business address is 1000 SW Broadway, Suite 1400, Portland, Oregon 97205-3089, in said county and state.

I certify that on November 2, 2023, I served the **DEBTOR'S RESPONSE TO CASE MANAGEMENT ORDER** on all ECF participants as indicated on the Court's Cm/ECF system.

I swear under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: November 2, 2023.

/s/ Janine E. Hume

Janine E. Hume, Legal Assistant

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CERTIFICATE OF SERVICE - Page 1